



Minnesota Gambling Control Board

GAMING NEWS

May/June 2011

Gambling Control Board

William Goede, Chair
(Plainview)

Committee: Executive

Norm Pint, Vice-Chair
(New Prague)

Committees: Executive;
CRG (chair)

William Gillespie, Secretary
(St. Paul)

Committees: Executive;
Legislative (chair); CRG

Robert Hyde (Plymouth)

Committees: Rules (chair)

Geno Fragnito (Woodbury)

Committees: Rules, Legislative

Susan McCarville (Hopkins)

Committees: Rules; CRG

Gary Sigfrinius (Forest Lake)

Committees: Legislative



**Monthly board meetings are
open to the public and are
held at:**

Gambling Control Board office,
Suite 300 South,
1711 West County Road B,
Roseville, Minnesota.

2011

Monday, June 20, 10 am

The agenda is posted at:
www.gcb.state.mn.us

DIRECTOR'S COLUMN

Tom Barrett, Executive Director

Legislation

A bill signed by the Governor reduces the minimum amount that must be expended by certain organizations for lawful purpose. This provision applies only to organizations that conduct lawful gambling in a location where the primary business is bingo [bingo hall]. Those organizations must expend a minimum of 20 percent annually or be subject to sanctions by the Board. The bill took effect on May 25, 2011. [Minn. stat. 349.15, subdivision 1, paragraph (d)]

When this issue of Gaming News went to press, a special session of the Legislature had not yet been called by the Governor. Pending at this time was the state budget bill which does affect the Gambling Control Board.

Linked Bingo

Effective May 5, 2011, MegaBingo closed their linked bingo operation in Minnesota, although they are maintaining their linked bingo game provider license.

How Can They Do That?

We hear that question a lot! We get many calls from persons that see an advertisement for a "unique" raffle in their local community or they stop in a bar and see a notice to buy a square on the Vikings game board. In most cases, they can't "do it" – at least not legally. But we always welcome those calls! Not for the chance to bring the regulatory hammer down on the person(s) conducting the activity but to help educate the public on what is legal or how to make it legal.

Usually when we make contact with the person conducting a "noncompliant" raffle, they are first surprised to hear there are laws governing the conduct but also supportive to make it legal. Depending on the timing of the raffle, we try our best to help with the application and reporting process but in some instances, the raffle must be cancelled and monies returned to participants.

In the case of sports boards, there is not much we can do to make those legal. Federal law prohibits this activity. But, if you do see examples of sports (tip) boards for sale in Minnesota, we welcome those calls too! Not necessarily to bring the regulatory hammer down but to protect the charity.

Keep in mind...If participants are spending their gaming dollars on illegal games, they are not supporting their local charity by playing legal games.

While we don't want illegal gambling to occur, Board rule addresses what happens if it does. If the Board determines the lessor conducted illegal gambling without the charity's knowledge (and the lessor is not involved in the lawful gambling), Board rule allows a charity to operate rent-free for a period of time. [Review Page 2 of the LG215 Lease for Lawful Gambling Activity for language pertaining to illegal gambling.]

Continuing Education Classes

- Preregistration is not required for continuing education classes.
- Classes are free and open to the public.
- **Reminder:** Gambling managers are required to attend at least one continuing education class each CALENDAR YEAR.
- Check our web site at www.gcb.state.mn.us for updates and changes.

JUNE AND JULY 2011

No classes will be scheduled for June and July 2011.

AUGUST 2011

August 10, 2011 7:00 pm	C'Mon Inn 1586 Highway 59 South, Thief River Falls	Common Problems and/or Legislative Update
August 11, 2011 2:00 pm	BestWestern Kelly Inn, Congress/Senate Rm 100 4th Avenue South, St. Cloud	Common Problems and/or Legislative Update
August 18, 2011 2:00 pm	Gambling Control Board, Suite 300 South 1711 West County Road B, Roseville	Common Problems and/or Legislative Update

SEPTEMBER 2011

September 7, 2011 7:00 pm	Plaza Hotel and Suites, Rosewood Room II 1025 Highway 61 East, Winona	Common Problems and/or Legislative Update
September 13, 2011 7:00 pm	Gambling Control Board, Suite 300 South 1711 West County Road B, Roseville	Common Problems and/or Legislative Update
September 15, 2011 7:00 pm	Lyon County Government Center Commissioner Rooms 1 and 2 607 Main Street, Marshall	Common Problems and/or Legislative Update
September 22, 2011 7:00 pm	Forestry Service Center, Stine Room 175 University Road, Cloquet	Common Problems and/or Legislative Update
September 27, 2011 7:00 pm	Country Inn Suites 15058 Dellwood Drive, Baxter	Common Problems and/or Legislative Update

**Did you know. . . presentations
by Board staff
at state conventions for the
American Legion, VFW, Eagles, and others
often qualify for continuing education credit
for gambling managers who are members of
those organizations.**



CRG Report

The Compliance Review Group (CRG), a committee of the Gambling Control Board, meets with licensees to conduct informal inquiries into alleged violations of lawful gambling statutes and rules. This information is a condensed report of recently completed CRG conferences. Penalties imposed are based on specific and unique information reviewed for each licensee.

Licensee	Consent Order Allegations	Consent Order Requirements
<p>The following organizations failed to file an annual audit for 2008 and were each fined \$250:</p> <ul style="list-style-type: none"> • American Legion Post 2, Shakopee, License 00466 • North St. Paul Athletic Association, License 03108 • Darfur Sportsmen's Club, License 34306 <p>The following organizations failed to file an annual audit for 2009 and were each fined \$250:</p> <ul style="list-style-type: none"> • New Ulm Hockey Association, License 02223 • Aldrich Lions Club, Aldrich, License 04000 • VFW Post 10796, Ham Lake, License Number 05861 • AMVETS Post 12, Hibbing, License Number 32537 		
American Legion Post 284, Cass Lake, License 01082	Failed to file an annual audit for 2008.	\$500 fine. Must file audit within 30 days.
St. Francis Youth Hockey Association, License 03126	Conducted raffles in violation of rules and did not maintain related records; failed to deposit gambling receipts; did not comply with requests for information; failed to maintain internal controls; filed inaccurate information with Revenue and the Gambling Control Board; insufficient supervision by gambling manager.	Organization license revoked. Reimburse \$22,700; file a termination plan; and resolve compliance issues.
Farmington Youth Hockey Association, License 03762	Failed to maintain sufficient internal controls over its gambling operations; failed to maintain accurate records; filed inaccurate information with Revenue and the GCB; failed to file 2009 annual audit; failed to pay or appeal a \$50 citation; and failed to reconcile account.	\$2500 fine. Chief executive officer and 3 members of the Gambling Oversight Committee must attend the gambling manager seminar and pass the exam. Reconcile profit carryover variance. Focused compliance review
VFW Post 363, Fridley, License 00552	Failed to comply with the Board's request for information; failed to maintain internal controls over its operations; failed to make deposits within four business days; failed to maintain records; failed to complete and file Schedule C/D report; failed to complete monthly bank reconciliation; and failed to maintain adequate bingo records.	\$1000 fine. Corrective action plan. Resolve outstanding compliance review issues. Take a certified inventory of bingo paper and have it verified by Board staff within 30 days or suspend bingo operations. CEO, trustee and bingo manager must attend the gambling manager seminar and pass the test. Focused compliance review.
American Legion Post 404, Alden, License 00983	Illegal gambling occurred at American Legion Post 404.	Premises permit suspended for 1 day.

Citations Paid in March and April 2011

Licensee	Violation	Amount
VFW Post 936, Alexandria, License 00042	Bingo inventory records not properly maintained.	\$400
American Legion Post 29, Morris License 00324	Failed to accurately record game results on the Schedule B2.	\$350
Maplewood Athletic Association License 04201	Failed to comply with Board requests for documentation.	\$350
St. Francis Lions Club, License 02688	Failed to expend tax refund/credit within one year.	\$350
American Legion Post 29, Morris License 00324	Failed to comply with Board requests for documentation.	\$300
Pierz Fire Relief Assoc., License 03222	Pull-tabs not dumped into container and mixed.	\$250
B-Dale Club, Roseville, License 00330	Records not retained for 3.5 years.	\$100
Three organizations failed to file certified inventory with Revenue and were issued a \$100 citation:		
<ul style="list-style-type: none"> • Pine Island Volunteer Firemen's Relief Association, License 03120 • Knights of Columbus Council 6731, Granite Falls, License 03434 • Mantorville Restoration Association, License 01982 		
Blooming Prairie Area Chamber of Commerce, License 92149, was issued two \$50 citations:		
<ul style="list-style-type: none"> • Repaid start-up loan without prior Board approval, and • Check not signed by two active members. 		

Raffles; Gross Receipts of \$60 or Less

An organization may conduct a raffle where:

1. all raffle tickets are sold only during the raffle activity,
2. the players are present for the drawing, and
3. the player is not required to complete the raffle ticket stub information.

If this type of raffle is conducted, be sure that the raffle house rules address whether or not the ticket stub information must be completed.

- Raffle winners will be determined by selecting ticket stubs from a container.
- When a raffle ticket stub is drawn that contains no winner information, the organization must announce the ticket number. The player must present the matching numbered raffle ticket before the prize is awarded.
- If a player must leave before the drawing, the player must give the ticket stub with contact information to another player or to the person conducting the drawing. This will ensure that the player can be contacted if their ticket number is drawn.

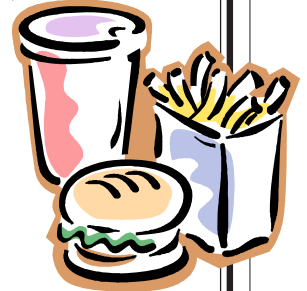
If the gross receipts from the raffle will be \$60 or less, an organization has up to 30 days after the raffle to pay for the merchandise prizes.

Examples of the types of prizes typically offered include meat packages or merchandise certificates from the lessor. See next page for information on merchandise certificates.

PURCHASING MERCHANDISE CERTIFICATES FROM YOUR LESSOR NOW ALLOWED

A rule change that went into effect on March 1, 2011, allows an organization to purchase from a lessor a certificate for merchandise or gift card to be redeemed for food or beverages at the premises if:

1. the certificate or card has a redeemable monetary cash value;
2. the certificate or card does not contain restrictions on its redemption; and
3. the cost to the organization is 50% or less of the redeemable cash value of the certificate or card.



Does a “redeemable monetary cash value” mean that the certificate can be redeemed for cash?

No. “Redeemable monetary cash value” means that the certificate or card must list a dollar amount on it. The card or certificate may only be used to purchase food or beverages from the premises.

Our lessor would like to stipulate on the merchandise certificate that it cannot be used during happy hour. Is this acceptable?

No. The certificate or card may not contain any restrictions on its redemption.

If a player wins a \$20 certificate and redeems it for a \$12 meal, are they entitled to the \$8 in change?

No. The certificate is redeemable only for food or beverages from the lessor.

If the winner has \$8 left on the certificate and doesn't want anything more for himself, he could save the remainder for a different day, or he could buy food or beverages for someone else.



We've seen bingo paper that has a star pre-printed on one random number on each face. It's used to play a game in which the player wins an extra \$10 if he bingos on that number. Is this paper legal? Is the game legal?

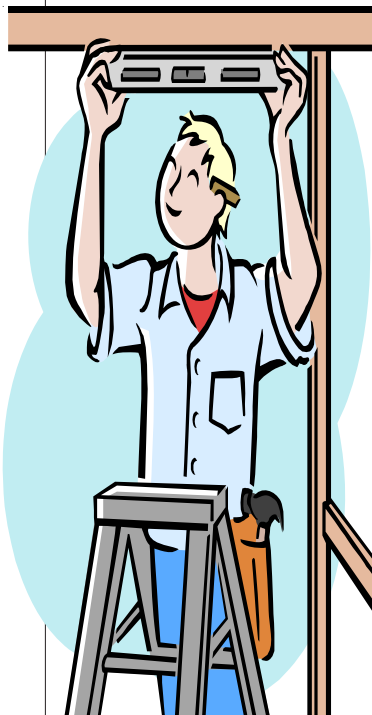
Both the paper and the game are legal. Every prize winner for this game will be required to complete a prize receipt because alternate prize levels are offered. Also, the extra \$10 prize counts towards the game and session prize limits.

We've also seen break-open bingo paper that has all of the odd numbers or all of the even numbers “pre-daubed” on each face. It's used to play a game in which the player only needs to daub all of the odd or even numbers (whichever hasn't been pre-daubed) on his card in order to win. Is this paper legal? Is the game legal?

Both the paper and the game are legal. Break-open bingo paper must be used for this game.

REPAIR OR MAINTENANCE

FISCAL YEAR END DEADLINE FOR A22 FUNDS



Does your organization own its own building and use gambling funds to do repairs and maintenance for the building and building-related capital assets? If yes, please note that the deadline for making A22 expenditures--based on 5% of gross profits for the year ended June 30, **2010--** is coming up quickly.

Requirements

Property and building-related capital assets must be owned by the organization, and either:

- be used for the organization's primary headquarters, OR
- be related to the area or item used free of charge by other nonprofits.

Annual Limit

An organization may spend up to 5% of the previous year's gross profits [July 1 to June 30] without GCB approval for:

- repair, maintenance, or improvement of real property and building-related capital assets, and
- replacement of building-related capital assets that are no longer repairable.

Allowed [examples]

- new carpet for meeting room
- patch pot-holes in parking lot
- fix furnace, central air, windows

Not allowed [examples]

- building expansion
- bar-related items (bar stools, coolers)
- property owned by an organization that is leased to other individuals or businesses

Carry Forward Not Allowed

Organizations may not carry forward the unused portion from the previous year. We recommend that you review your balance at this time to make the best use of the A22 provision.

Planning Ahead

For expenditures made July 1, 2011 through June 30, 2012, the 5% limit for A22 expenditures will be based on your gross profits for the year starting on July 1, **2010** and ending June 30, **2011**.

Questions?



Contact your compliance specialist at the Gambling Control Board.



Who May and May Not Participate in Lawful Gambling

[Minnesota Statute 349.181]

3/11

	Pull-tabs, tipboards, and paddlewheels	Bingo	Raffles
Gambling manager (at organization's permitted premises)	No	No	No
Organization and lessor employees and volunteers	<p>No. They may play only if they are not involved with the conduct of these games¹ at the premises where they work.</p> <p>This restriction is in effect until six weeks after the employee or volunteer is no longer involved in the conduct of pull-tabs, tipboards, and paddlewheels at that premises.</p> <ul style="list-style-type: none"> - Posting of winners is not required. - Bingo employees may not play these games while conducting bingo. 	<p>No. They may play bingo only if they are not involved with the conduct of any lawful gambling^{1, 2} during a bingo occasion at the premises where they work.</p> 	Yes
Lessor (at lessor's premises)	No	No	No
Lessor's immediate family (spouse, child, parent, brother, sister, at lessor's premises)	No	They may play bingo only if they are not involved with the conduct of bingo ² during a bingo occasion.	Yes
Age restrictions	<ul style="list-style-type: none"> • Must be 18 and older to conduct these games • Must be 18 and older to play these games 	<ul style="list-style-type: none"> • Must be 18 and older to conduct bingo • Must be 18 and older to play bingo. <p>EXCEPTIONS: A person under 18 may play bingo:</p> <ul style="list-style-type: none"> - conducted by an exempt or excluded organization, or - conducted by an organization as part of an annual community event, if accompanied by a parent or guardian. 	<ul style="list-style-type: none"> • Must be 18 and older to buy a raffle ticket • Must be 18 and older to win a raffle prize. • Under 18 may sell raffle tickets.
¹ Conduct pull-tabs, tipboards, and paddlewheels includes: <ul style="list-style-type: none"> • selling tickets, • redeeming tickets, • auditing games, • making deposits, • spinning the paddlewheel, and • conducting inventory. 		² Conduct of bingo includes: <ul style="list-style-type: none"> • selling bingo hard cards, bingo paper sheets, or facsimiles of bingo paper sheets, • completing bingo occasion records, • selecting or announcing bingo numbers, • making deposits, and • conducting inventory. 	

Gambling Control Board
1711 West County Road B, Suite 300 South
Roseville, Minnesota 55113

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State offices will be closed on July 4, 2011.

This publication will be made available in alternative format (large print, Braille) upon request.

TRENDS in LAWFUL GAMBLING GROSS RECEIPTS

NOTE: Figures for the current calendar year are subject to change due to amended, corrected, or late tax returns.

	2010	% Change from 2009	2009	% Change from 2008	2008
January	78,919,000	-5.66	\$83,654,000	-5.30	\$88,334,000
February	79,120,000	-4.95	83,237,000	-6.45	88,977,000
March	90,774,000	-1.48	92,137,000	-6.20	98,227,000
April	84,887,000	-3.03	87,535,000	-7.07	94,196,000
May	82,260,000	-4.91	86,506,000	-8.09	94,118,000
June	78,121,000	-2.62	80,222,000	-8.65	87,820,000
July	81,008,000	-2.68	83,238,000	-6.26	88,795,000
August	79,398,000	-4.61	83,231,000	-7.36	89,843,000
September	80,490,000	+2.81	78,288,000	-9.84	86,837,000
October	83,687,000	-0.21	83,865,000	-7.31	90,476,000
November	77,810,000	-1.50	78,998,000	-5.51	83,609,000
December	77,158,000	-0.63	77,644,000	-1.81	79,079,000
	\$973,632,000	-2.50%	\$998,555,000	-6.70%	\$1,070,311,000

LAWFUL PURPOSE EXPENDITURES (includes taxes and fees)

January 2010 -----	\$6,633,000	May 2010 -----	\$9,350,000	September 2010 -----	\$5,402,000
February 2010 -----	\$6,710,000	June 2010 -----	\$8,735,000	October 2010 -----	\$6,871,000
March 2010 -----	\$8,116,000	July 2010 -----	\$4,414,000	November 2010 -----	\$6,311,000
April 2010 -----	\$8,411,000	August 2010 -----	\$4,934,000	December 2010 -----	\$9,049,000

AGENCY INDEX

Gambling Control Board

www.gcb.state.mn.us
Roseville ----- 651-639-4000
St. Peter ----- 507-931-5112
Hibbing ----- 218-262-7301
Fergus Falls ----- 218-739-7402

Department of Revenue

www.taxes.state.mn.us
Lawful Gambling Tax Unit ----- 651-297-1772
Email: lawfulgambling.taxes@state.mn.us

Department of Public Safety

www.dps.state.mn.us
Alcohol & Gambling Enforcement -- 651-201-7500
Minnesota's Bookstore ----- 1-800-657-3757
www.minnesotasbookstore.com 651-297-3000
Internal Revenue Service
Forms ----- 1-800-829-1040
Questions ----- 651-312-7716
Minn. Problem Gambling Helpline --- 1-800-333-HOPE
http://www.nojudgment.com